

Globalization of Japanese Manufacturing Firms and its Impact on Domestic Economy

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Summary

Due to the appreciation of Japanese Yen, Japanese large companies have actively set up overseas production sites, and shifted its production activities to abroad since the middle 1980's. This trend of globalization has never stopped, and recently more and more firms are attracted by growing market in Asian countries, particularly China.

In an era of globalization, it is natural for large firms to seek for attractive market and cost advantage by producing in low labor cost countries. However, large firms' shifting production site to overseas may have negative impact on domestic economy, particularly for SMEs, which do not have enough management resources for overseas production.

In this paper, the impact of globalization of large firms on domestic economy, particularly on business activities of SMEs, is analyzed, by using firm level data of METI's BSBSA (Basic Survey of Business Structure and Activity) and SOBA (Survey of Overseas business Activities). The relationship between globalization and domestic production depends on the type of overseas production, and the objectives of globalization have been changing over time and regions. Such microstructure of overseas production activities, as well as their impact on domestic industrial activities is analyzed.

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